

Lt. Governor Kinder, Mr. President Pro Tem, Mr. Speaker, distinguished state officials, judges of the Supreme Court, members of the General Assembly, reverend clergy, fellow Missourians:

Tonight, I have the privilege of delivering my second state of the state address. Last year's report was difficult news for me to deliver and for Missourians to hear. Missouri's economy was on life support. The budget was more than a billion dollars in the red, a series of government programs were bankrupting the state and tens of millions of dollars in waste were scattered throughout state government.

Tonight I am able to deliver a very different message. Our economy is now creating jobs for Missouri's families. We have moved from a massive budget shortfall to the first surplus in five years. Let me repeat that good news: because of the prudent decisions we made last year, we have balanced the books. We have taken an inherited deficit that exceeded five percent of total state spending and created a small but real surplus. We are sustaining government and investing in priorities without the higher job-killing taxes that the people have rejected time after time. We are saving millions of dollars within state government that can be sent to schools, used to provide healthcare or to improve Missouri's roads, highways and bridges. We have demonstrated that real, positive change can be realized without increased taxes. Tonight, Mr. President, Mr. Speaker, and fellow

Missourians, just one year after we began to work together, the state of the state is strong.

Last session we enacted pro jobs, pro growth policies that have made state government a facilitator of job creation, not a free-spending, tax-increasing burden to economic growth. Today, the sun has risen and Missouri's economy is on the move. Jobs are coming back and staying in Missouri. Lawsuit reform and regulatory relief are having their desired effect. Twenty-eight thousand jobs have been created since January. Our small business men and women are hiring more of their neighbors. The entrepreneurial spirit has been rekindled, and the results are dramatic. On average, we have seen the creation of more than 500 new jobs per week since my address last year.

We made great strides last year to keep doctors in Missouri by passing medical liability reform. Hospitals and doctors' groups report that they now can recruit and retain quality doctors, especially in crucial specialties such as obstetrics and neurosurgery. Lawsuit reform is making a tremendous positive difference for people and communities across Missouri and is improving access to high-quality healthcare.

Thank you for passing a tough new anti-meth law to control the sale of key ingredients of methamphetamine. This new law is showing strong results, with a decline of 44 percent in meth incidents in Missouri.

I encourage the Congress to pass Senator Jim Talent's similar legislation at the federal level to better protect Missourians and to help stop the scourge of meth across the country.

As you drive across Missouri you are seeing new construction on virtually all our major highways. When complete, Missouri's Smooth Roads Initiative will deliver a total of 2,200 miles of safer, smoother and improved roads. MoDOT has turned the corner and is earning the trust of Missouri taxpayers because they are eliminating the problems that confronted them in the past and they are now focused on one central mission, "building and maintaining roads." I know they are up to the challenge, and tonight, I call upon the State Highways and Transportation Commission and their Director, Pete Rahn, to complete the Smooth Roads Initiative by December 31, 2006 - one year ahead of schedule.

As a product of Missouri's public schools, I am deeply committed to public education. In the past, schools suffered from budget withholdings that were shortsighted and diminished opportunities for young Missourians. I pledged to Missourians that I would deliver consistent increases to our schools and that withholdings would stop. Last year, we fulfilled that promise and delivered 158 million new dollars to public schools, a 4.4 percent increase. We also passed a new funding formula that is based on the needs of Missouri school children rather than the taxing capacity of school districts. At the same time, we ensured that last

year's budget provided public colleges and universities with more funding than any budget of the prior administration.

In 2005, we did the most basic things in making a Missouri Family First budget. We set priorities and made choices. We got serious about getting full value for people's hard-earned tax dollars. We found and ended many wasteful practices and created a culture that is committed to efficiency and responsible stewardship. We put children and taxpayers first. We changed course to bring the state's priorities in sync with the people's priorities.

Fiscal responsibility in budgeting works hand in hand with policy changes such as ending lawsuit abuse and establishing the Quality Jobs initiative. Today's deficit spending is tomorrow's job-killing tax hike. Last year we did not allow ourselves to make spending decisions under the false illusion that there is no end to state resources. We cannot dig ourselves into the spending hole that made last year so challenging. However, we can and should invest dollars wisely in order to secure an even brighter future.

The budget I present tonight required much thought and consideration. It lives within the people's means while funding the many important services provided by state government.

Notably, the new budget is balanced without new job-destroying taxes and without borrowing or accounting gimmicks. This is a MISSOURI balanced

budget. *Spending and revenue are in balance.* Last year we ended the policy of spending money that we do not have.

My priorities remain clear. From pre-school to college, the state budget should reflect the number one fiscal priority of state government – “to educate and prepare our children for the 21st century.” Last year, Melanie and I were blessed with the birth of our son. We, like all Missourians, want to provide him with every opportunity to achieve the American dream. At a young age, children’s minds are eager to learn, and as a state we should look for opportunities to foster that desire for knowledge so that Missouri’s students will lead the nation and, more importantly, thrive in the competitive global marketplace.

A key component of my comprehensive childhood education commitment is an increased investment in Parents as Teachers. Parents as Teachers changes children’s lives and ensures that any developmental delays are identified and corrected early, providing a bright future for Missouri children. My new budget provides another \$1,000,000 to Parents as Teachers in addition to last year’s increase.

I am committed to delivering more taxpayer resources to Missouri schools every year. Last year we increased state aid to education by \$158,000,000. My new budget fully funds the first year of the new school foundation formula and provides a total increase of 167 million new education dollars. Combined, these

increases will result in 325 million new dollars for schools delivered by my Administration and this General Assembly.

We should ensure that as many of those new dollars as possible reach the classroom. There has already been a great deal of healthy and beneficial discussion regarding my proposal to deliver at least 65 percent of the education tax dollar to teachers and students, with others defending the current system. I do not believe it is acceptable to lag behind nearly every other state in teacher salaries or for some districts to spend only 52 or 53 cents of each education dollar on student instruction. That is not good stewardship of tax dollars.

I have heard comments and suggestions for adjustments to the education community's definition of what constitutes classroom instruction. The definition is not my own. It belongs to the education establishment, but it is clearly not sufficient. I am open to meaningful discussion on this issue, but the bottom line is that more dollars must be delivered to the classroom.

Learning does not begin in kindergarten nor does it end after high school. Prior to my service as governor, colleges and universities were hit with significant cuts. This year, my budget calls for a \$17,000,000 increase for state colleges and universities, providing them with the resources they need to improve quality and hold back tuition increases.

The A+ program is an additional tool that helps young Missourians stay in school and ensures that advanced learning is a reality for more Missourians. My budget increases state funding for A+ by \$1,800,000, which will allow additional Missouri young people to attend community college and acquire the skills they need to be competitive in today's global economy.

Residential care facilities such as Boys and Girls Town and Edgewood provide the love and support that can dramatically impact troubled children's lives. Last year my budget recommended a \$2,100,000 increase in funding for these care providers. This year, I am pleased to include 2.8 million new state dollars in my budget request for residential care facilities.

Smoking is one of the leading healthcare cost drivers. In Missouri, smoking takes thousands of lives and devastates families. We all pay the costs of smoking through increased insurance premiums, social welfare for smokers and most significantly through the loss of family and friends afflicted with cancer. The tobacco settlement funds have been misused in the past, and I propose that one million of those dollars be spent on smoking prevention and cessation this year.

The spike in gas prices and home heating costs has hit all of our families. Fortunately, common sense policies and regulations in Missouri have resulted in residential utility rates that are the eighth lowest in the nation. However, some seniors and low income Missourians have been pushed past their financial ability

to keep up, and we must respond. In order to help low-income Missourians pay high winter heating bills I ask that \$6,100,000 be dedicated immediately to Missouri's Utilicare program.

This program has never been fully funded and has received no funding since 2001. This crucial funding will provide real assistance to seniors and low-income Missourians. No Missourian should have to choose between heating and eating, between utilities or groceries.

Most seniors and disabled adults would like to remain in their own homes. In-home healthcare is more cost effective, and it allows them to do so. Last year, working together, we increased funding for in-home healthcare services. To continue encouraging home care as an option, this year's budget calls for a \$10,900,000 general revenue increase to improve the quality and availability of in-home healthcare.

Through the ethanol and bio-diesel incentive programs we are encouraging a vital expansion of the economy by producing renewable fuels and reducing America's and Missouri's dependence on the Middle East while providing ready markets for the farmers of the Midwest. My budget calls for full funding of Missouri's bio-diesel and ethanol incentive funds.

I also call upon this General Assembly to pass an "Energy and Green Power Initiative," to reach beyond full funding for bio-diesel and ethanol incentives. I ask

that we give Missouri's heartland economy a major and lasting boost by requiring that motor fuel sold in Missouri for passenger cars and trucks contain 10 percent ethanol.

This standard will spur even greater economic development in rural Missouri. For all of us, it will provide cleaner air, lower prices and greater independence from Middle East oil supplies. Please stand with me against special interests and for our farmers, consumers, the environment and new energy supplies made right here in Missouri.

As a veteran, I feel a special privilege in leading a state that respects military service and supports those who have worn the uniform. In my budget, I ask that you establish a new state veterans' cemetery, Missouri's fifth, at Ft. Leonard Wood.

I also ask that you approve my requested appropriation to strengthen the Veterans' Ombudsman program which serves men and women who are deployed in defense of our freedom and their families as well as those who have recently returned from deployment.

This night, and everyday as a free nation we are grateful to Missouri's men and women in arms.

Tonight, we have with us two Missourians who recently returned from active duty. Please join me in recognizing Major Brian K. Tully of Cape

Girardeau and Master Sergeant Robert Miller of Tebbetts. Both received the Bronze Star for their service in Iraq.

The state plays a key role in protecting children, families and seniors from criminals. We must do more to support law enforcement professionals on the front lines. Missouri has only four accredited, full service crime labs. I ask that this General Assembly appropriate funds to staff and equip an additional state crime lab. This new lab will expedite forensic work, help ensure that case backlogs are not delaying justice, and get dangerous criminals out of our neighborhoods.

Drug courts save the state money. A University of Missouri study demonstrated that the cost per drug court participant is \$5,400 versus the \$14,000 cost the state bears to incarcerate a drug related inmate. Many non-violent drug offenders can be better punished and rehabilitated through drug courts, which is why my budget provides them with a \$2,100,000 increase.

We are striving every day for greater efficiency in your state government. In fact, the budget I am presenting tonight is the first in eight years that requests funding for fewer than 60,000 state employees. That is partly due to better management, but it is also dependent on Missouri's state employees. They have answered my call to provide more efficient and effective customer service to Missourians while at the same time using fewer resources. They are truly doing

more with less. We should reward their good work. An important component of my budget is the inclusion of a four percent pay raise for state employees.

One of government's most basic responsibilities is to respect and safeguard the rights of the people. Sadly, a recent U.S. Supreme Court decision undermined those very rights.

I was offended by the ruling of the U.S. Supreme Court in the Kelo versus New London case. This ruling allows governments to take private property for the use and profit of private interests. This ruling was wrong. Churches and places of worship across our state that contribute immeasurably to society but generate no tax revenue should not fear the forced sale of their land.

I believe the work of my task force on this issue provides the Legislature with a sound basis for "fixing" the Kelo decision and ensuring that eminent domain abuses in Missouri are forever ended. I look forward to working with you to protect homeowners, farmers and small business men and women all across the state.

I recognize the importance of healthcare to every Missouri family, and I believe we have an obligation to provide assistance to those truly in need of help. Last year, we took important steps to save Medicaid for our neediest citizens and began a process of reform. What few Missourians have heard is that we spent more money on Medicaid last year than we did the year before. If left unchecked

the old program would literally bankrupt state government within a matter of years. Missourians know that simply throwing money at the problem without any other changes would not have solved the problem. Had we not taken action last year, today it would cost taxpayers an additional \$935,000,000 to fund the old program. For those who continue to clamor for a return to the old way I ask that you be candid. Be honest with the people of Missouri and tell them what programs you would cut or what taxes you would raise. Do not pretend that we can spend money in a vacuum with no resulting harm to schools or Missouri taxpayers.

My administration remains committed to providing meaningful assistance to our neediest citizens. Medicaid is an important state program. That is why my budget asks for 275 million additional state dollars to sustain its current commitments. This significant increase will allow us to continue providing healthcare for 16 percent of our fellow citizens. It also means that this important program will receive 29 percent of the entire budget.

Federally Qualified Health Centers and Community Health Centers combine federal, state and community resources with personal responsibility to expand access to healthcare. My budget provides an additional \$700,000 for the funding of new community health centers which will benefit tens of thousands of Missourians.

I also believe that technology and innovation are essential to improve the delivery of healthcare for all Missourians. That is why I am creating a Healthcare Information Technology Task Force to recommend ways to harness technology to make better care decisions for patients, which will lead to better results at reduced costs.

We must prepare now for the healthcare challenges of tomorrow. We should create a Healthcare Technology Fund to ensure that the basic technology that is pervasive throughout society is a part of the improved delivery of healthcare services to Missourians. This funding will involve multi-year projects that will explore new and innovative ways that technology can improve the delivery of care, reduce administrative burdens and eliminate waste and fraud. Programs funded with this money will emphasize personal responsibility and health literacy, and create a structure to help Missourians make informed healthcare decisions. The overarching goal is to improve the health status of all Missourians. The results will lead to a healthier state and a more efficient healthcare delivery system. That is why my budget provides 25 million new state dollars for a new Healthcare Technology Fund.

I commend the work of the legislative commission led by Senator Charlie Shields in outlining a structure for a new healthcare program that will improve the delivery and quality of healthcare in Missouri. We must also continue the

successful work that has been done to improve efficiency, eliminate waste and track down and prosecute those who defraud the medical safety net.

Fraud, whether by dishonest providers or ineligible recipients, comes at the direct expense of people who truly cannot provide for themselves. In the past, we had a lackadaisical approach to fraud. Rooting it out was not a priority, but since January 2005, it has been one of my chief objectives. Since I assumed office, \$138,000,000 of Medicaid waste and fraud has been identified and corrected.

Missourians by their nature are generous and compassionate to those in need. We must work together to create a new and better healthcare system in this state. This new program should contain many elements, such as additional incentives for employers who provide insurance to their employees, tax incentives for those who purchase their own medical, long term care and in-home health insurance, buying pools for small businesses and individuals to increase their purchasing power, all as part of an aggressive effort to reduce the number of uninsured Missourians.

We also must join together to bring greater transparency to our healthcare delivery system. We must arm Missourians with knowledge through increased access to information regarding the quality and cost of healthcare services. This vital information will allow Missourians to make informed healthcare decisions, and it will drive costs out of the system.

No state has found a “silver bullet” for the delivery of healthcare, and no state has the perfect program. All states are struggling with how to pay the mounting bills. But Missouri is being viewed as a national leader because of our commitment to innovative solutions for low-income healthcare and for the comprehensive and complete reworking of our program in an attempt to provide temporary help for Missourians during their time of need. Let us work together to create a healthcare system that offers assurance to our seniors, comfort to our families and hope to our children.

We also must pay particularly close attention to healthcare for our seniors. We all know the federal government has created a prescription drug benefit for them and I encourage all Missouri seniors to sign up for this important new assistance. I look forward to working with all of you to ensure that the state funded MissouriRx program is a robust supplement to the federal benefit.

I commend your action last year to make Missouri a leader in protecting our children from predatory criminals. Tonight, I propose a new series of crime measures to further protect the safety of our children. First, I propose that Missouri enact a version of Jessica’s Law, to impose a life sentence for sex crimes against children with a minimum of 25 years served in prison. These predators would then be under lifetime supervision after they complete their time behind bars.

We need to face facts. We have had little success at changing the behavior of child sex offenders. Too many children have been permanently scarred for us not to take action to appropriately punish these evil criminals. We need to lock sexual predators up for a very long time and monitor them for the rest of their lives.

The Internet has opened a new avenue for dangerous criminals. I am proposing a mandatory minimum sentence for Internet sex offenders who entice young children, and I am asking you to require the posting of their pictures on the Internet. Even if the “child” they think they are enticing is actually a law enforcement officer, these sexual predators must be punished.

In addition to protecting our children, Missouri must also maintain commitments to our seniors. Tonight, I urge this body to pass stronger penalties for those who commit violent crimes or fraud against senior citizens.

We are living in an age in which we must always be prepared to respond to man-made and natural disasters. Just last month the Taum Sauk reservoir burst releasing 1.3 billion gallons of water into Johnson Shut-Ins state park, injuring park superintendent Jerry Toops and his family. Please join me in recognizing Jerry and Lisa Toops, who are with us tonight.

I am happy to report that Jerry, Lisa and their children, Tanner, Tara and Tucker have all recovered and are doing well. The prayers of many Missourians

including my own were answered, and we are so pleased to have them here tonight. The faith they have demonstrated is truly inspiring. The reservoir that was breached was under federal jurisdiction and, while Missouri had no authority to inspect the dam, we will insist that AmerenUE fully compensate those affected and provide 100 percent reimbursement to the state.

Working together we have solved many of the problems we faced in January 2005. Although we must work diligently on the budget before us, we have contained the raging blaze kindled by past over-spending and deficit budgeting.

None of the new investments that I have proposed here tonight would be possible had we not acted last year to improve our jobs climate and control unsustainable spending. Increased funding for schools, the strengthening of the safety net and holding the line on taxes depend upon responsible budgeting decisions.

Our record is clear. We promised a balanced budget without accounting tricks or tax increases. We have turned an over one billion dollar shortfall into a surplus, and we will build a brighter future for all Missourians on a solid financial foundation.

We promised to re-fire the economic engine of opportunity, and we have created a jobs environment which has resulted in 28,000 more Missourians achieving the dignity and independence a paycheck provides.

We promised to develop a better way to fund schools and to make the teaching of young people our first priority. The new student need-based funding formula is now the law, and I have recommended that we fully fund it.

We promised better stewardship and to fight waste and fraud. Millions of taxpayer dollars have been saved, and we will continue our ongoing efforts to achieve greater efficiency.

It may not be normal in politics, but what we have promised is what we have delivered.

As we tackle other tough issues ahead we should keep in mind the words of the Bible that “to whomever much is given, much will be required.” We have been blessed as a people, as Americans and as Missourians. We have a moral obligation to set very high expectations for the future.

Every Missourian should be able to achieve their full potential, be blessed with financial security and be comforted knowing that we will keep our commitments and work together to build the Missouri of our dreams.

Thank you. May God bless you and may God continue to bless the great state of Missouri.